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Public Service Commission of Wisconsin
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November 18, 2021

Ms. Steffany Powell Coker
Secretary to the Commission
Public Service Commission of Wisconsin
4822 Madison Yards Way
Madison, WI 53705

Dear Ms. Powell Coker:

The Wisconsin Utilities Association (“WUA”), on behalf of its members, appreciates the opportunity to provide comments on Commission Staff’s memo in the above referenced docket dated, October 26, 2021 (“Staff Memo”), that provides a proposed scope of the Quadrennial Planning Process IV (“Quad IV”). The WUA commends Staff for the work and effort expended on this docket to date and in summarizing the potential topics in the Staff Memo.

As noted in Staff’s Memo, determining the scope of the Quad IV involves deciding which of the decisions made in the Quadrennial Planning Process III, in addition to the statutorily required decisions, should be revisited, as well as whether any new issues should be addressed in Quad IV.¹ Commission Staff proposed dividing the planning process into three phases.² The WUA notes its appreciation for the logical approach staff has taken to structure the planning process by dividing it into three phases. Phase 1 will address the Macro Policy Priorities that originated in the Roadmap to Zero Carbon, which is Docket 5-FE-158, (“Roadmap Docket”) Phase 2 will address Micro Implementation Decisions and,

¹ *Staff Memo* at 2.

² *Id.* at 4 and at 5-6.

finally, Phase 3 will deal with items related to setting Focus on Energy goals. In an attempt to align these comments with the Staff Memo, these comments are organized in the same way.

We commend the Commission for opening this docket earlier than has been the case in prior Quadrennial Planning Processes to allow more time for interested parties to address the issues and provide comments on the topics for potential inclusion in Quad IV that were identified through the Roadmap Docket and to account for higher-level policy decisions that impact more detailed program design and related scoping decisions.

Phase 1 Macro Policy Priorities

Several items that surfaced during the Roadmap Docket were directed to the Focus on Energy quadrennial planning process by the Commission. Those items include aligning Focus on Energy with decarbonization goals, electrification programs and offerings, programs and offerings for low-income customers, collaboration between Focus on Energy and utility demand response programs, and utility voluntary programs.

As indicated in the Staff Memo, while these topics in this phase of the Quad IV originated in the Roadmap Docket, Parties have been instructed to provide comments on how these topics could be incorporated into the Focus on Energy program during the 2023-2026 period as well as the relative importance of these five topics to stakeholders and the public.

Alignment of Focus performance goals and program offerings with decarbonization goals

In concept, aligning Focus on Energy's performance goals with decarbonization goals is something that the WUA believes could provide value if done with full consideration of both the legislative context and available funding. Focus on Energy is one tool, with a

specific legislative mandate and effective funding cap, available to help the State of Wisconsin reach its carbon reduction goals. Under Act 141 utilities meet their obligation to fund the program by contributing 1.2% of their annual operating revenues. Any additional funding would require legislative action and performance goals should be set accordingly.

Electrification programs and offerings

Electrification is one potential strategy where the Commission could choose to enhance the alignment between Focus on Energy and Wisconsin's carbon reduction goals. WUA notes that electrification is better described as a measure to meeting decarbonization goals rather than being a policy objective in and of itself. It may be more beneficial, from a planning process perspective, to make electrification a subtopic under decarbonization.

Regardless of how the Commission ultimately evaluates electrification as part of this planning process, WUA believes electrification measures should focus on emissions reductions while preserving customers' ability to select the fuel that best meets their needs. Maintaining a voluntary approach allows utilities to work collaboratively with customers to avoid the negative impacts of an overly aggressive approach to electrification, such as high costs, significant power grid build-out, equity concerns, and in some cases higher emissions. These considerations are especially important as Wisconsin is a cold weather state with significant heating requirements. In short, all electrification measures should meet the emerging definitions of *beneficial electrification*: reduce emissions, keep customer bills low, and optimize use of the power grid. WUA also believes beneficial electrification should build on existing energy efficiency programs and technologies.

Programs and offerings for low-income customers

WUA's members have a long history of working with stakeholders to make targeted programs available to their low-income customers. These members believe that such programs remain important to provide much-needed resources to low-income customers; however, WUA members continue to believe a balance needs to be achieved so that all interested customers can receive the benefits of Focus on Energy programs that they fund through their energy bills. While low-income customers could and should continue to benefit from existing programs, WUA believes that it would be beneficial for Focus on Energy to provide additional data and reporting on the penetration of low-income customer populations that has been achieved in existing programs before additional programs are developed. This would provide transparency to the planning process and ensure that Focus on Energy resources are being utilized most efficiently.

Collaboration between Focus and Utility Demand Response Programs & Voluntary Utility Programs

Phase I includes two topics related to utility voluntary and demand response programs. WUA notes an important reminder that when Focus on Energy was created by the Legislature in 1999, the intent was, in part, to standardize energy efficiency and renewable incentives to customers throughout the state. Upon the creation of Focus on Energy, the Legislature specifically decided that it would be the primary provider of these services to Wisconsin's energy utility customers.

A commenter in the Zero Carbon docket noted that existing efficiency related performance incentive mechanisms (PIMs) that encourage utilities to invest in efficiency are in place in other states and could be adapted to Wisconsin's statewide energy efficiency

program structure. The Wisconsin Energy Distribution and Technology Innovation (WEDTI report) developed by M-WERC also recognized the need to create incentives if the policy direction were to be undertaken to encourage direct and voluntary utility involvement in efficiency and demand response activities³. That report also offered several ways to accomplish this including capitalizing non-traditional investments, pilot programs and utility voluntary programs.

WUA believes that PIMs, if properly designed, could have the potential to be implemented in a way that lowers customer costs and encourages additional utility investments in demand side options. This concept is not new for Wisconsin. In the past, utilities have been able to receive financial incentives for incremental, voluntary energy efficiency programs. Utilities are positioned to offer tailored solutions that are specific to their individual service territories, resource mixes and customer needs. Utilities also have unique insights into their customers' usage enabling targeted offerings that could be coupled with yet-to-be-identified rate structures to shift usage according to utility system needs and in a way that lowers total emissions.

Utilities currently can collaborate with Focus on Energy, but that decision should be driven by the needs of each utility as opposed to a statewide mandate. Decisions related to utility voluntary programming should continue to be handled in individual utility dockets for those programs as opposed to the Focus on Energy quadrennial planning process. However, it would be beneficial if the PSCW would explore providing guidance to PIMs to encourage voluntary utility investment through the Performance Based Ratemaking workshop that will be held as a part of the Roadmap Docket.

³ <https://m-werc.org/wedti-report>

Phase 2 - Micro Implementation Decisions

WUA believes overall energy goals should be identified, stated, and tracked based on an energy (kwh, therm or MMBTU) basis. If the objective is to align Focus on Energy's priorities with the achieving Wisconsin's carbon reduction goals, the most appropriate measurement is energy consumption which, as we move to a more renewable future, may be more beneficial during times that do not coincide with Focus's traditional peak period. In attributing carbon reductions to measures, careful consideration should be made to when the energy savings occur given the unpredictable and intermittent nature of renewable energy. Applying an average carbon intensity per kWh-saved may not be accurate or result in an optimal deployment of measures to reduce carbon emissions.

Programs should continue to be developed that impact "all of the above" customers –commercial and industrial customers, as well as residential customers, including those in underserved and rural areas. This diversity of programs will not only continue to make the programs available equitably to customers that fund Focus on Energy but will also serve to diversify the resources needed to make gains – even incremental gains - in reducing carbon emissions. Focusing on a sub-set of customers with targeted programs may reduce the number of customers that can participate and the associated carbon reduction benefits -- in the aggregate. Further, as current events have demonstrated, we may experience extended periods of supply chain challenges and labor shortages, which may in turn limit resources available for one specific Focus on Energy program. A continued diversification of programs will serve as a long-term hedge against these challenges.

Careful consideration of Resource Acquisition and Market Transformation will be important in the next quad. Generally, resource acquisition is more appropriate in

jurisdictions with centralized planning processes which Wisconsin's legislature abolished in 1999. In Wisconsin, utilities are charged with ensuring adequate supply. Resource acquisition decisions are made by utilities after a long, deliberate, and comprehensive evaluations. Even after those evaluations are completed, any generation resource acquisitions must be authorized by the Commission prior to being completed. Market Transformation programs are better suited for the statewide efficiency model because they focus on structural changes to markets that transcend utility territory boundaries.

Phase 2 - Cost Effectiveness Decisions

Cost-benefit testing compares energy efficiency with other resource options. From a utility perspective, not all efficiency – or any other reduction in energy consumption -- has the same value to the grid. For example, reduced energy consumption during periods with high solar generation may not be as valuable as such reductions that occur later in the afternoon or early evening. As more renewables like solar and wind come online traditionally observed demand spikes may fluctuate making efficiency more desirable at certain time periods. The Commission may want to consider adding a time dimension to cost-effectiveness testing.

Cost-effectiveness is a function of policy and portfolio design. Many of the decisions made throughout all phases of Quad IV will impact the final cost-effectiveness of the portfolio. For example, if the Commission decides to set aside a budget for low-income programs, it will likely put downward pressure on the total resource cost test because those programs would likely be more time and resource intensive compared to programs targeting the largest users. The Commission may want to consider broadening the cost-

effectiveness discussion to include tailoring the test inputs based on policy objectives beyond resource acquisition.

Overall, the identified cost-effective mechanisms have previously been approved by the Commission – either in prior Quads or, in the case of avoided transmission and distribution (T&D) costs, in Quad III. WUA believes including further discussion and input from stakeholders throughout the Quad IV planning process would be beneficial

Considerations pertaining to tracking and evaluating program performance in a manner consistent with those decision priorities is also relevant for Phase II decisions. For example, decisions in Phase I that may broaden or narrow the scope of Focus on Energy program offerings are likely to require an assessment of appropriate program evaluation metrics as well as the appropriate data and methods for assessing program performance. Phase II also includes decisions involving budgets which could impact the goals being set in Phase III.

Phase III Goals, Targets and KPIs

Generally speaking, WUA believes that it may be in the public's interest to allow for further transparency to the methods for setting final goals, targets and KPIs.

It is not uncommon in other jurisdictions for program administrators to submit planning documents that spell out the program offerings in finer detail for comment. While WUA understands and supports the need for flexibility, having more information about the statewide program administrator's plans for the quadrennial period would help utilities consider the design of potential complementary voluntary programs. The Commission may decide to also build in a phase for the public to review and comment on the administrator's implementation plans.

Again, the WUA appreciates the Commission's consideration of these comments.

Bill Skewes

Executive Director

Wisconsin Utilities Association, Inc.